INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT, executed 4/1, 1988, to be effective April 1, 1988.

WITNESSETH:

WHEREAS, the undersigned corporations (individually referred to as "Shareholder" and collectively referred to as "Shareholders") have formed, and constitute the only shareholders of, LS, Inc., a New York corporation ("LS"), which was formed to provide services for the benefit of the Shareholders; and

WHEREAS, each of the Shareholders has the right to elect, and does elect, one member of the Board of Directors of LS; and

WHEREAS, the Officers of LS, elected by the Board of Directors of LS, implement the policies determined by the Board of Directors and conduct the operations of LS in the performance of services for the benefit of the Shareholders;

NOW, THEREFORE, in consideration of the service on the Board of Directors of LS by each of the Directors of LS, and the performance of services by the Officers of LS for the benefit of the Shareholders, be it agreed:

1. The Shareholders, and each of them, do hereby indemnify the Directors and Officers of LS, and each of them (said Directors and Officers of LS are herein referred to collectively as "Indemnitees") to the full extent authorized and permitted by the laws of the State of New York, to the extent the Indemnitees, or any of them, are made, or threatened to be made, a party to an action, suit, or proceeding (whether civil, criminal, administra-

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tive, or investigative) by reason of the fact that the Indemnitees, or any of them, are or were Directors or Officers of LS, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by them, or any of them, in connection with such action, suit, or proceeding.

2. The Shareholders shall share any costs incurred hereunder in the same proportion that they share from time to time in the costs of funding the operations of LS; each Shareholder's liability incurred hereunder shall be limited to the total costs of indemnification multiplied by its share of costs of funding the operations of LS.

3. This Indemnification Agreement shall be deemed to be a contract between each of the Shareholders and each Director and Officer of LS who serves in such capacity at any time while this Agreement is effective. Any termination of this Agreement, as provided hereafter, shall not affect any rights or obligations then existing with respect to any state of facts then or theretofor existing or any action, suit, or proceeding theretofor or thereafter brought or threatened based in whole or in part on any such state of facts.

Subject to the foregoing, this Agreement may be terminated by any Shareholder, at any time, by writing delivered to the President and Directors of LS, and to the other Shareholders, and in such event this Agreement will be deemed terminated by all Shareholders.

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4. LS may, from time to time, purchase and maintain liability insurance on behalf of any person who is or was a Director or Officer of LS, and the Shareholders' liability hereunder shall be only for costs of indemnification in excess of the benefits provided by such liability insurance.

5. This Agreement may be executed in one or more counterparts, but shall be effective only upon the execution by all Shareholders.

IN WITNESS WHEREOF, this document is executed on the date first mentioned herein.

R.J. REYNOLDS TOBACCO CORPORATION

By:_____

LIGGETT GROUP INC.

By:_____

THE AMERICAN TOBACCO COMPANY
~~**AMERICAN BRANDS, INC.**~~

By:_____

LORILLARD, INC.

By:_____

PHILIP MORRIS INCORPORATED

By:_____

BROWN AND WILLIAMSON TOBACCO CORPORATION

By:_____

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